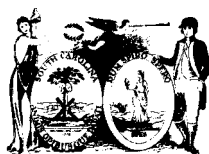


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

October 29, 2001

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

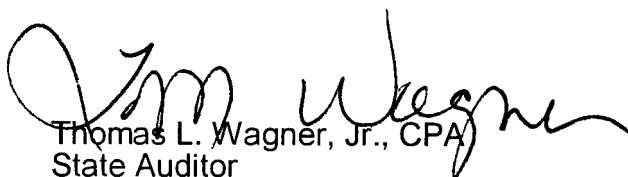
Re: AC# 3-FAI-J8 – GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**GCI FAITH NURSING HOME, INC.  
D/B/A FAITH HEALTHCARE CENTER**

**FLORENCE, SOUTH CAROLINA**

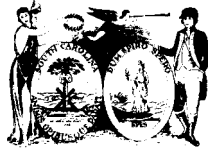
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-FAI-J8**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 21, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

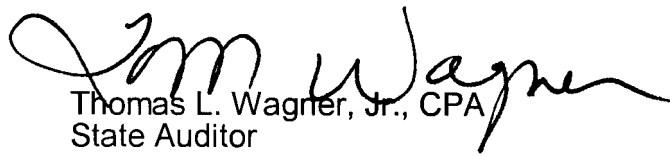
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 21, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**FAITH HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-FAI-J8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$87.12
Adjusted reimbursement rate	<u>81.55</u>
Decrease in reimbursement rate	\$ <u><u>5.57</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**FAITH HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1999 Through September 30, 2000  
AC# 3-FAI-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$36.05	\$50.88	
Dietary		7.16	9.69	
Laundry/Housekeeping/Maint.		<u>7.09</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	50.30	68.81	\$50.30
Administration & Med. Rec.	<u>\$1.16</u>	<u>10.40</u>	<u>11.56</u>	<u>10.40</u>
Subtotal		60.70	<u>\$80.37</u>	60.70
<u>Costs Not Subject to Standards:</u>				
Utilities		1.96		1.96
Special Services		5.34		5.34
Medical Supplies & Oxygen		1.80		1.80
Taxes and Insurance		1.03		1.03
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.83</u>		70.83
Inflation Factor (3.00%)				2.12
Cost of Capital				5.91
Cost of Capital Limitation				(.58)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.16
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.23)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.77</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.55</u>

**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,349,055	\$ 488 (4) 6,504 (7) 38 (7) 10,095 (12)	\$ 15,420 (2) 713 (2) 4,008 (6) 180 (6) 6,053 (9) 2,521 (13) 10,059 (13)	\$1,327,226
Dietary	268,976	231 (5) 1,880 (7) 52,822 (12)	475 (2) 547 (6) 631 (8) 5,691 (10) 53,028 (13)	263,537
Laundry	74,876	14,703 (12)	14,740 (13)	74,839
Housekeeping	115,790	19,038 (12)	22,363 (13)	112,465
Maintenance	96,405	15,931 (12)	243 (2) 488 (4) 2,583 (5) 100 (6) 20,581 (7) 14,669 (13)	73,672
Administration & Medical Records	586,628	8,564 (2) 5,805 (2) 520 (7) 1,488 (8) 31,428 (12) 7,707 (12)	280 (5) 576 (6) 51 (6) 225,027 (7) 24,336 (13) 8,757 (13)	383,113
Utilities	75,774	12,520 (12)	480 (5) 281 (7) 857 (8) 14,391 (13)	72,285
Special Services	254,008	369 (4)	30 (6) 675 (10) 56,978 (11)	196,694

**FAITH HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1998  
 AC# 3-FAI-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	84,905	2,482 (2) 34,299 (10)	47,063 (3) 1,402 (4) 2,452 (5) 4,479 (13)	66,290
Taxes & Insurance	46,412	7,279 (12)	8,675 (7) 7,236 (13)	37,780
Legal Fees	14,568	920 (12)	15,488 (7)	-
Cost of Capital	284,570	2,059 (12)	8,288 (1) 21,803 (7) 14,170 (13) 24,773 (14)	217,595
Subtotal	3,251,967	237,170	663,641	2,825,496
Ancillary	142,692	1,033 (4) 2,331 (5)	-	146,056
Non-Allowable	1,058,329	8,288 (1) 47,063 (3) 1,495 (5) 5,492 (6) 282,913 (7) 6,053 (9) 56,978 (11) 190,749 (13) 24,773 (14)	27,933 (10) 174,502 (12)	1,479,698
Total Operating Expenses	<u>\$4,452,988</u>	<u>\$864,338</u>	<u>\$866,076</u>	<u>\$4,451,250</u>
Total Patient Days	<u>36,821</u>	<u>-</u>	<u>-</u>	<u>36,821</u>

TOTAL BEDS 104

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 13,193	
	Other Equity	14,857	
	Nonallowable	8,288	
	Fixed Assets		\$ 28,050
	Cost of Capital		8,288
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	8,564	
	Medical Records	5,805	
	Medical Supplies	2,482	
	Nursing		15,420
	Restorative		713
	Dietary		475
	Maintenance		243
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		
3	Nonallowable	47,063	
	Medical Supplies		47,063
	To disallow expense due to lack of documentation		
	HIM-15-1, Section 2304		
4	Restorative	488	
	Special Services	369	
	Ancillary	1,033	
	Maintenance		488
	Medical Supplies		1,402
	To reclassify expense to the proper cost center		
	DH&HS Expense Crosswalk		
	State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Retained Earnings	1,738	
	Dietary	231	
	Ancillary	2,331	
	Nonallowable	1,495	
	Maintenance		2,583
	Administration		280
	Utilities		480
	Medical Supplies		2,452
	To properly charge expense applicable to the prior period, reclassify expense to the proper cost center, disallow cable TV expense, and disallow expense due to lack of documentation HIM-15-1, Sections 2106.1, 2302.1 and 2304 DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
6	Nonallowable	5,492	
	Nursing		4,008
	Restorative		180
	Dietary		547
	Maintenance		100
	Administration		576
	Medical Records		51
	Special Services		30
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nursing	6,504	
	Restorative	38	
	Dietary	1,880	
	Medical Records	520	
	Nonallowable	282,913	
	Maintenance		20,581
	Administration		225,027
	Legal		15,488
	Utilities		281
	Taxes and Insurance		8,675
	Cost of Capital		21,803
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Administration	1,488	
	Dietary		631
	Utilities		857
	To properly offset income against related expense HIM-15-1, Sections 2102.3 and 2328		
9	Nonallowable	6,053	
	Nursing		6,053
	To remove cost applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
10	Medical Supplies	34,299	
	Dietary		5,691
	Special Services		675
	Nonallowable		27,933
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Nonallowable	56,978	
	Special Services		56,978
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
12	Restorative	10,095	
	Dietary	52,822	
	Laundry	14,703	
	Housekeeping	19,038	
	Maintenance	15,931	
	Administration	31,428	
	Medical Records	7,707	
	Legal	920	
	Utilities	12,520	
	Taxes and Insurance	7,279	
	Cost of Capital	2,059	
	Nonallowable		174,502
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Nonallowable	190,749	
	Nursing		2,521
	Restorative		10,059
	Dietary		53,028
	Laundry		14,740
	Housekeeping		22,363
	Maintenance		14,669
	Administration		24,336
	Medical Records		8,757
	Utilities		14,391
	Taxes and Insurance		7,236
	Medical Supplies		4,479
	Cost of Capital		14,170
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
14	Nonallowable	24,773	
	Cost of Capital		24,773
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	\$894,126	\$894,126

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FAITH HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>104</u>
Deemed Asset Value	3,653,520
Improvements Since 1981	321,864
Accumulated Depreciation at 9/30/98	<u>(715,271)</u>
Deemed Depreciated Value	3,260,113
Market Rate of Return	<u>.063</u>
Total Annual Return	205,387
Return Applicable to Non-Reimbursable Cost Centers	(33,021)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,505</u>
Allowable Annual Return	177,871
Depreciation Expense	53,620
Amortization Expense	309
Capital Related Income Offsets	(35)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,170)</u>
Allowable Cost of Capital Expense	217,595
Total Patient Days (Minimum 97% Occupancy)	<u>36,821</u>
Cost of Capital Per Diem	\$ <u><u>5.91</u></u>

**FAITH HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-FAI-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>5.91</u>
Cost of Capital Per Diem Limitation	\$ <u>(.58)</u>

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